



Compensation Initiatives



■ **Base Pay raises expected to be at least 3.5% per year through FY-06**

- Employment Cost Index (ECI) + .5%
- FY-05 President's budget includes a 3.5% average increase in Base Pay

■ **Enhanced Career Sea Pay**

- Eligibility expanded to all pay grades
- Pay tables adjusted

■ **SUBPAY increase to account for effects of inflation (last increase 1988)**

- FY-02 legislative change took pay tables out of law and raises legislative *limit* to \$1000/month.
- Targeted SUBPAY rate increases:
 - » Junior officers and enlisted took effect on 1 Oct 2002
 - » Targeted pay raises for DH/XO/CO will take effect 1 Oct 2004



Compensation Initiatives



- **Tax free BAH rates continue to significantly increase under a major DOD reform initiative**
 - Out of pocket expenses have dropped from an average 8%/year for CY03 to 3.5% in CY04.
 - FY-05 President's budget continues to buy-down out of pocket housing expenses for military personnel.
- **Family SGLI - more security for you and your family**
 - Covers spouse and children.
- **Thrift Savings Plan**
 - Opportunity to defer tax on a substantial portion of base pay, bonuses and special pays up to \$13,000/year in CY04.
 - Translates in up to a \$3,000 reduction in current year federal tax
 - Need to get the word out on this worthwhile savings plan! Visit **WWW.TSP.GOV** for more information.



Nuclear Officer Incentive Pay

Program Status

Legislative limits versus payment rates

<u>Rate</u>	<u>Legislative Limit</u>	<u>Current</u>
COPAY	\$25,000	
\$22,000/\$25,000		
AIB	\$22,000	\$12,500
LDO AIB	\$10,000	\$6,000
ACCESSION	\$20,000	\$12,000

- Effective 1 Oct 2004 COPAY restructuring took effect
 - 3-yr agreements remained at \$22K/year
 - 4-yr and 5-yr agreements increased to \$25K/year

- N133 currently evaluating additional compensation initiatives for FY05 and FY06
 - LDO AIB increase (FY05)
 - Nuclear Accession Bonus increase (FY06)



Submarine Support Incentive Pay

Retention of submarine officers

■ SSIP eligibility requirements are modeled after those for NOIP, with appropriate modifications:

- On active duty, and thereby entitled to receive basic pay.
- Have not completed more than 25 years of active service (including previous enlisted service) by the end of the term of the contract (required by CSRB legislation).
- Officers who hold designator 1120 previously nuclear qualified.
- Currently serving in pay grades O-4 through O-6. Not eligible until date of promotion to O-4.
- No pending or approved lateral transfer requests, or applications to the Permanent Military Professor Program.

■ Payment structure:

- \$10K/\$11K/\$12K per year for one, two and three year contracts respectively.
- Annual payment can be made up to the statutory limit of 25 YCS

■ OSD approved program in June 2002. Program startup 01 August 2003.



Budget Initiatives - SUBPAY SUBPAY Chart

COMMISSIONED OFFICERS															
Pay Grade	2 or less	Over 2	Over 3	Over 4	Over 6	Over 8	Over 10	Over 12	Over 14	Over 16	Over 18	Over 20	Over 22	Over 26	
O - 10	355	355	355	355	355	355	355	355	355	355	355	355	355	355	355
O - 9	355	355	355	355	355	355	355	355	355	355	355	355	355	355	355
O - 8	355	355	355	355	355	355	355	355	355	355	355	355	355	355	355
O - 7	355	355	355	355	355	355	355	355	355	355	355	355	355	355	355
O - 6	595	595	595	595	595	595	595	595	595	595	835	835	835	835	835
O - 5	595	595	595	595	595	595	595	595	790	835	835	835	835	835	835
O - 4	365	365	365	525	595	705	705	705	790	790	790	790	790	790	790
O - 3	355	355	355	510	595	705	705	705	705	705	705	705	705	705	705
O - 2	305	305	305	305	305	425	425	425	425	425	425	425	425	425	425
O - 1	230	230	230	230	230	425	425	425	425	425	425	425	425	425	425

Changes for FY-05

Changes for FY-03

- FY-05 changes target mid-grade officers as compared to FY-03 changes that targeted junior officers
- Change begins at beginning of DH tour to make it even more attractive to junior officers

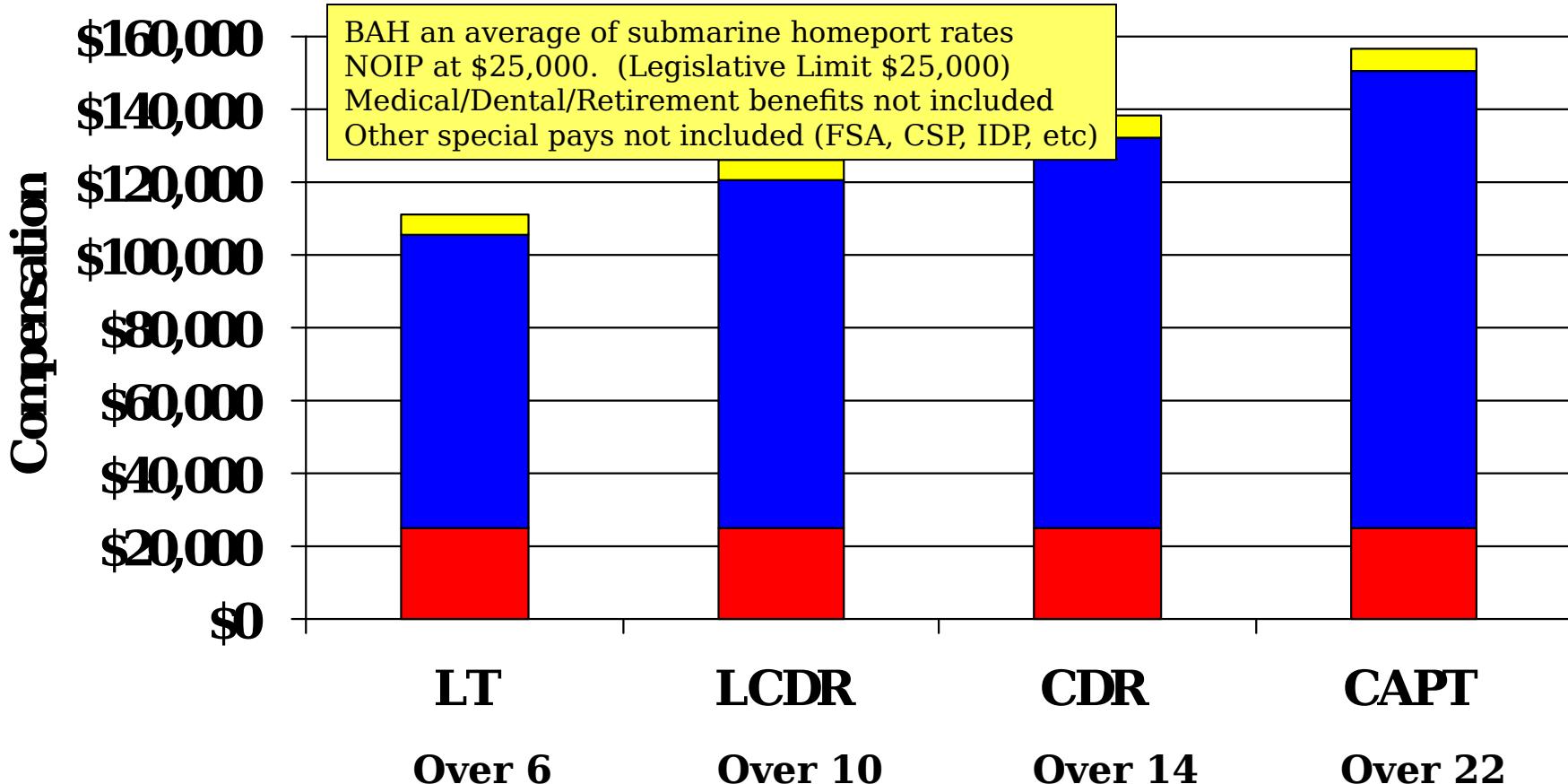


Pay and Allowances

Current Rates - SEP 2004



■ Bonus ■ Pay and Allowances ■ Tax Advantage

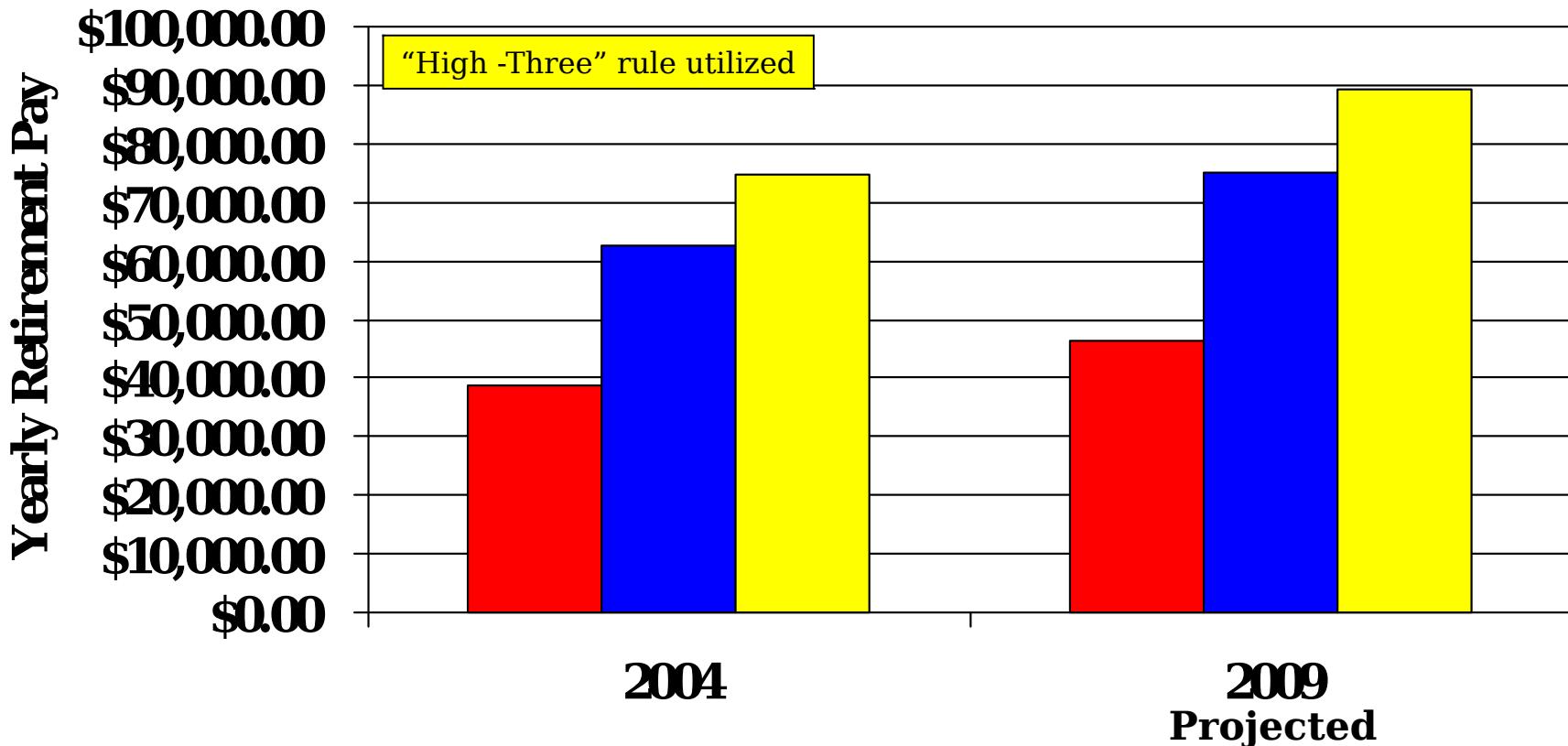




Military Retirement Benefits

Retirement at 42, 48 or 52?

■ CDR at 20 Years ■ CAPT at 26 Years ■ CAPT at 30 Years





Bonus and Special Pay

Year Cumulative Compensation

